

**Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201**

**Department of the Treasury**

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**Employer Identification Number:**

**Contact Person - ID Number:**

**Date: December 16, 2008**

**Contact Telephone Number:**

**LEGEND**

UIL 4945.04-04

X = Foundation  
Z = City  
x = \$ amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated June 8, 2008.

Our records indicate that X was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that X will operate a grant-making program. The purpose is to provide 4-year scholarships to qualifying graduating high school seniors. X expects to award up to 5 scholarships per year in the amount of x, made payable to an accredited educational institution the recipient will attend. Scholarships would be used for tuition.

Eligible applicants will be a graduating high school senior from Z.

To apply, an individual will complete an application form available at his or her high school guidance counselor's office. The guidance counselors will announce the scholarships to graduating seniors and provide a scholarship application to any interested student. The students are then asked to submit an essay for review.

The selection criteria will be: (a) high school G.P.A.; (b) high school activities; (c) employment during high school; (d) financial need; (e) evidence of being a role model within the school, community and workplace; (f) not be a disqualified person as defined in section 4946(a) of the Code.

Scholarships will be awarded by the Scholarship Committee, composed exclusively of the director of X to individuals selected from students of applicable age and qualification.

X will send the scholarship funds to the educational institution. The institution will immediately apply the funds to the specific student recipient using their student ID number and a receipt will be provided to the foundation.

All scholarship recipients must fulfill the following requirements:

- a. Maintain the following grade point averages: 1<sup>st</sup> Year : Minimum GPA 2.5, 2<sup>nd</sup> Year: Minimum GPA 2.75, 3<sup>rd</sup> and 4<sup>th</sup>Year: Minimum GPA 3.0.
- b. Work a minimum of ten hours per week and a maximum of 20 hours per week during the academic school year, and 40 hours per week during the summers.
- c. Remain on schedule to graduate in four consecutive academic years.
- d. Be a role model for future high school students and share their experiences.
- e. Maintain monthly correspondence with the Director of the Foundation via email or phone providing details of school progress.
- f. At the end of each semester, meet with the Director of the Foundation to provide a copy of transcripts plus feedback on the semester.

If the scholarship recipient does not meet the above criteria, the foundation will not make further scholarship payments to the educational institution.

Should a scholarship recipient fail to provide transcripts and progress reports at the end of a semester, X would not pay tuition for the subsequent semester.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process

- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements